Columbian College of Arts & Sciences
THE GEORGE WASHINGTON UNIVERSITY
History News Network
Because the past is the present and the future too

HNN Information...

Join our mailing list

SUBSCRIBE

Departments

HNN Donate Today!
Without your support, there is no HNN.

12-31-69

Michael Parenti: Still Soft on (Corporate) Crime

Roundup: Media's Take

[Michael Parenti's recent books include The Assassination of Julius Caesar (New Press), Superpatriotism (City Lights), and The Culture Struggle (Seven Stories Press). For more information visit: www.michaelparenti.org.]

A half century ago, Supreme Court Justice Hugo Black reminded us in Griffin v. Illinois (1956) that there “can be no equal justice where the kind of trial a man gets depends on the amount of money he has.” The corporate executive with a team of high-powered attorneys has a different legal experience than the poor person with an underpaid court-appointed lawyer. And it’s not just a few indigents who need court-appointed lawyers; some 80 percent of defendants nationwide rely on public defenders.

The recent convictions of Enron’s billionaire swindlers Kenneth Lay and Jeffrey Skilling lend hope to those of us who dream of a more equitable legal system. But before we put Justice Black’s dictum to rest, keep in mind that Lay and Skilling are out on bail, and that they still might end up with a light sentence or skip free on some technicality.

In recent years prominent firms including R. J. Reynolds, WorldCom, Time Warner, Arthur Andersen, Bristol Meyers, Global Crossing, HealthSouth, and a dozen others have been investigated for accounting and tax fraud, manipulating stock values, insider trading, and obstructing justice, criminal acts that have delivered economic ruin upon shareholders and employees. As of June 2006 only a handful of executives from these companies have seen the inside of a prison.

Think of the magnitude of their crimes, the heartless damage wreaked upon many thousands of employees who saw their jobs, retirement funds, and financial security stolen from them. So much misery for the many so that the favored few might

gleefully romp and frolic in increasingly obscene wealth.

What kind of punishment awaits most corporate brigands? Martha Stewart did a grueling five months in a federal women's camp. Dennis Koziowski, former Tyco CEO, looted some $600 million to fund his lavish lifestyle, for that he got 8 to 25 years in a minimum security prison, and is eligible for parole in about six years, unless he wins an earlier reversal or sentence reduction.

After getting a 15-year sentence for looting $100 million from Adelphia, John Rigas is free pending his appeal. So is Bernard Ebbers, former CEO of WorldCom (on a 25-year sentence), who wiped out a company worth $115 billion at its peak.

We can anticipate more cases like this: In June 2006 two Merrill Lynch bankers, Robert Furst and Daniel Bayly, convicted for fraudulently inflating Enron's profits, spent hardly a year in prison before being released by a federal appeals court pending the completion of their entire appeals process. This ruling followed a similar release order three months earlier for another Merrill Lynch banker, William Fuhs. It was seen as a blow to the prosecution team that was gamely trying to bring the Enron perpetrators to justice.

Keep in mind that corporate crime is not a rarity but a regularity. The Justice Department found that most giant companies have committed felonies. Many are repeat offenders. Over the years, General Electric has been convicted of 282 counts of contract fraud and fined $20 million. But nobody at GE did any time. (Imagine a street criminal with 282 felony convictions who is allowed to walk free.)

Charged with 216 violations involving toxic substances, WorldCom was fined $625,000. Over a sixteen year period major oil firms cheated the government of nearly $856 million in royalties by understating the value of the oil they pumped from public lands, but nobody went to prison in any of these cases.

Honeywell ignored defects in gas heaters resulting in twenty-two deaths and seventy-seven crippling injuries, for which it was fined $800,000.
Johns-Manville suppressed information about the asbestos poisoning of its workers; when ordered to pay damages in civil court it declared bankruptcy to avoid payment. Nobody ended up behind bars in either of these cases.

An executive of Eli Lilly failed to inform the government about the effects of a drug suspected of causing forty-nine deaths in the United States and several hundred abroad. He was fined $15,000. For dumping toxic chemicals into well water that was subsequently linked to eight leukemia deaths, W. R. Grace was fined $10,000. Charged with unlawfully burning toxic wastes into the atmosphere for twenty years, Potomac Electric Power Co. of Washington, D.C. was fined the crushing sum of $500. In none of these cases did anyone see the inside of a slammer.

In 2005 the Bank of New York agreed to pay $38 million in penalties and victim compensation arising from a case of money laundering and fraud, but nobody ended up having to share a conjugal cell with Big Spike.

That same year Halliburton executives failed to make payments to pension participants as legally required; instead they used some of the funds for executive pensions and bonuses. Halliburton was required to pay almost $9 million and an undisclosed tax penalty, but none of the company suits went to prison.

In 2006, Custer Battles was found guilty of defrauding the United States of millions of dollars in government contracts in Iraq. The company was slated to pay triple damages but again nobody went to prison.

That creepy fellow James Watt, Interior Secretary under the Reagan administration, helped rich clients illegally pocket millions in federal low-income housing funds. Watt was able to sidestep eighteen felony charges of perjury and plead guilty to a misdemeanor, for which he got five years probation and a $5,000 fine.

As of 2006 there was an estimated $450 billion shortfall in retirement and disability funds, as numerous companies have defaulted on their pension payments. Federal law requires companies to honor their obligations to these funds but there is no real enforcement mechanism.

When Firestone pled guilty to filing false tax returns concealing $12.6 million in income, it was fined $10,000, and no one went to jail. Over seven hundred people a year are imprisoned for tax evasion, almost all of them for sums far smaller than the amount Firestone concealed.

Even when the fine is more substantial, it usually represents a mere fraction of company profits and fails to compensate for the damage wreaked. Over several years Food Lion cheated its employees of at least $200 million by forcing them to work "off the clock," but in a court settlement the company paid back only $13 million. Who says crime doesn't pay?

In 2004 Halliburton paid a $7.5 million fine for false earnings reports.
Halliburton was also accused of grossly overcharging the government for gasoline intended for U.S. armed forces in Iraq. Meanwhile, for work done on a government nuclear plant, Bechtel inflated its bill for labor, materials, travel, entertainment, and supplies--then gave itself a $250,000 bonus.

Nobody at Halliburton or Bechtel went to prison for these huge thefts.
And as we all know, both companies are still gorging themselves on fat government contracts.

Someone who robs a liquor store is far more likely to do time than people who steal hundreds of millions of dollars from shareholders, employees, consumers, and taxpayers.

Penalties often are uncollected or suspended. Over one hundred savings and loan (S&L) plea-bargainers, who escaped long prison terms by promising to make penalty repayments of $133.8 million, repaid less than
1 percent of that amount.

Claiming it did not have enough lawyers and investigators, the government failed to pursue more than one thousand S&L fraud and embezzlement conspiracies, amounting to hundreds of billions in losses for U.S. taxpayers.

The Bush Jr. administration decreased major fines for mining safety violations and in nearly half the cases did not bother to collect the fines. No wonder miners continue to perish in preventable accidents.

Frequently corporate criminals continue to live in luxury but claim they do not have the money to make restitution to their victims. They are able to hide many assets before penalties are established.

When corporate felons actually are given prison terms, the sentence is usually light and sometimes not even served. S&L defendants, convicted of having stolen hundreds of millions of dollars, spent fewer months behind bars on average than car thieves--and at relatively comfortable minimum security prisons.

The two ringleaders of Archer Daniels Midland Co. who stole millions from their customers were sentenced to only three years. The average sentence for corporate criminals who do time is about eleven months.

Let's go back some years to Wall Street investor Michael Milken who pled guilty to securities violations and was sentenced to ten years--reduced to twenty-two months, most of which was spent doing community service.
Corporate criminals sentenced to community service seldom do but a small portion of it, if any. Milken had to pay back $1.1 billion to settle criminal and civil charges but retained a vast fortune of $1.2 billion from his dealings.

Likewise, Ivan Boesky walked off with $25 million after paying his fine for insider trading and doing a brief spell behind bars. Every major participant in these late 1980s Wall Street investment crimes emerged from the experience as a wealthy man. Again, who says crime doesn't pay?

Opinion surveys find that a majority of the public believes that wrongdoing is widespread in the business world. Some 90 percent think that big corporations have too much influence over government. Only 2 percent consider company bosses "very trustworthy." You've got to hand it to the American people. Buried alive under an avalanche of media disinformation and puffery, they still sometimes get it right.

Sure it does us good to see some corporate predators get their asses kicked in court. And we should demand that it happen more often.

But keep in mind that corporate crime is endemic to a system bound by limitless greed and pitiless theft, a system whose operational imperative is "accumulate, accumulate, accumulate," a system faithfully serviced by reactionary plutocrats in the White House who themselves partake of the plunder.

Comments for this thread are now closed

0 Comments HistoryNewsNetwork Disqus' Privacy Policy 1 Login

Favorite Tweet Share Sort by Best

This discussion has been closed.

Subscribe Add Disqus to your siteAdd DisqusAdd Do Not Sell My Data

NEWS

Breaking News

Historians

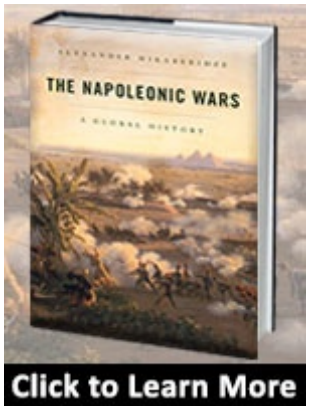
DC

- Haitian Americans Reclaim the Traditions of Vodou from Centuries of Misperception
- DeSantis Proposes Surveying Students, Faculty on Political Views
- Philly Plan for Tubman Memorial Draws Fire: Were Black Artists Excluded?
- One Absurdity of Texas's Divisive Concepts Law? Call to Rename Slave Trade as "Involuntary Relocation"
- 3 Law Profs: Connecting Abortion and Voting Rights at SCOTUS

TRENDING NOW

Trending on HNN

- The U.S. a Christian Nation? Not According to the Founders!
- Why Historians Can't Afford to Ignore Gossip
- Who Was Stepan Bandera?



HNN
History News Network
Classroom Activity Kits

HNN Hot Topics
What's Being Talked About

The past is never dead. It's not even past. William Faulkner
NOT EVEN PAST
Bringing History to the Public at UT Austin

The Asia-Pacific Journal:
Japan Focus

Copyright 2022. All rights reserved.